

Message Text

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PAGE 01 STATE 041532

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ORIGIN ARA-10

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DRAFTED BY ARA/ECP:WRFALKNER;BWL

APPROVED BY ARA/BC:RFIMBRES

ARA/ECP:SHROGERS

EB/IFD/OIA:DSTEBBING (PHONE)

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FM SECSTATE WASHDC

TO AMEMBASSY SANTIAGO IMMEDIATE

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STADIS////////////////////////////////

E.O. 11652: N/A

TAGS: EINV, EFIN, CI

SUBJECT: OPIC-CHILE BILATERAL AGREEMENT

REFS: SANTIAGO 6680; FIMBRES/CHEATHAM TELCON 2/20

1. THERE FOLLOWS THE DRAFT TEXT OF A LETTER FROM ASSISTANT SECRETARY ROGERS TO OPIC PRESIDENT MAYNARD CONCERNING THE PROPOSED OPIC-CHILE BILATERAL AGREEMENT. THE TEXT HAS BEEN CLEARED WITHIN THE DEPARTMENT. WE WISH TO HAVE IT READY FOR MR. ROGERS' RETURN FROM LATIN AMERICA ON WEDNESDAY, FEBRUARY 25. PLEASE SUBMIT YOUR COMMENTS BY COB FEBRUARY 24.

BEGIN TEXT: DEAR MARSHALL: DURING RECENT WEEKS, AS YOU KNOW, WE HAVE BEEN GIVING CAREFUL THOUGHT TO THE QUESTION OF FORMALIZING A NEW OPIC AGREEMENT WITH CHILE, ALONG
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PAGE 02 STATE 041532

THE LINES YOU HAVE ALREADY DISCUSSED WITH CHILEAN OFFI-

CIALS. IN VIEW OF THE HISTORY OF EXPROPRIATION IN CHILE AND POSSIBLE REVERSAL OF ATTITUDES OF FUTURE ECONOMIC DECISION-MAKERS REGARDING DIRECT FOREIGN INVESTMENT, AND UNCERTAINTY WHETHER SUCCESS OF THE PROGRAM IS BEST ASSURED BY INAUGURATING IT AT THE PRESENT TIME, WE HAVE CONSIDERED THE MATTER IN SOME DEPTH. ON BALANCE, THE

PREFERRED COURSE APPEARS TO BE TO MOVE PROMPTLY TOWARD ESTABLISHING A LIMITED OPIC PROGRAM IN CHILE. ACCORDINGLY, I AM PREPARED TO SEEK VIA CIRCULAR L75 THE AUTHORITY TO SIGN THE PROPOSED BILATERAL AGREEMENT, AND I HAVE ASKED MY STAFF TO WORK CLOSELY WITH OPIC AND INTERESTED BUREAUS IN THE DEPARTMENT IN PREPARATION OF THE REQUISITE DOCUMENTS.

IN DECIDING TO REESTABLISH THE PROGRAM, OPIC AND THE DEPARTMENT MUST KEEP IN MIND THE POLITICIZATION OF THE FOREIGN INVESTMENT ISSUE UNDER THE ALLENDE AND PREVIOUS GOVERNMENTS AND THE PROBABLE CONTINUITY OF VIEWPOINT AMONG MOST CHILEANS THAT MAY WELL AFFECT OFFICIAL GOC POLICY AS TIME GOES ON. US DIRECT INVESTMENT IS IN GENERAL A MATTER OF SOME SENSITIVITY IN CHILE, AND THE DEPARTMENT WILL DO ALL IT CAN TO ASSIST YOU IN SELECTING PROJECTS THAT MERIT OPIC SUPPORT. TO BE ABLE TO ADVISE YOU PROMPTLY OF ANY DIFFICULTY THAT MAY ARISE WITH RESPECT TO PARTICULAR PROJECTS, I AM REQUESTING EMBASSY SANTIAGO, THROUGH A COPY OF THIS LETTER, TO TRANSMIT ALL MESSAGES ON OPIC MATTERS BY TELEGRAM. APART FROM THAT, SPECIAL PROCEDURES TO DEAL WITH PROJECTS IN CHILE ON A CASE-BY-CASE BASIS APPEAR UNNECESSARY. PROJECT APPROVAL WILL CONTINUE TO BE GIVEN THROUGH THE NORMAL EB CHANNEL.

ONE SECTOR THAT GIVES US PARTICULAR CONCERN, HOWEVER, IS THAT OF EXTRACTIVE INDUSTRIES. IN OUR VIEW, THE ENTIRE OPIC PROGRAM WILL BE MORE SECURE AND FORESEEABLE. BILATERAL PROBLEMS CAN BE AVOIDED IF, AT LEAST FOR THE TIME BEING, OPIC DOES NOT MAKE ITS PROGRAM AVAILABLE FOR INVESTMENTS IN LARGE-SCALE EXTRACTIVE INDUSTRIES--I.E., PROJECTS COSTING ABOVE TEN MILLION DOLLARS, TO CITE A ROUGH GUIDELINE--AND IF OPIC INSURES OR OTHERWISE SUPPORTS ONLY MINORITY INTEREST INVESTMENTS LIMITED OFFICIAL USE

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PAGE 03 STATE 041532

IN SMALLER SCALE PROJECTS IN EXTRACTIVE INDUSTRIES. WE WOULD APPRECIATE CONFIRMATION THAT THIS WILL IN FACT BE OPIC POLICY IN CHILE. IN THE EVENT THAT OPIC OR THE DEPARTMENT BELIEVES THAT CHANGED CIRCUMSTANCES WARRANT, OF COURSE, THIS MUTUAL POLICY CAN BE REVIEWED. END TEXT. INGERSOLL

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